

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
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Monday, April 14, 2008  
10:00 a.m.  
Room 112

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### Items from the April 7 Hearing

#### 1. Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
3480	Department of Conservation - Geologic Hazards and Mineral Resources	\$ -	\$ 512	\$ 4,605	\$ 25,848
3540	CALFIRE - Administration	\$ -	\$ 4,764	\$ 42,878	\$ 66,306
3540	CALFIRE - Fire Protection	\$ -	\$ 44,652	\$ 419,626	\$ 905,363
3600	Department of Fish and Game - Administration	\$ -	\$ 964	\$ 8,671	\$ 44,349

**Staff Recommendation.** Staff recommends that the Subcommittee accept the budget balancing reductions shown above.

#### 2. Various Departments – Approve

Org Code	Department	Issue	Amount (000)
3480	Conservation	Abandoned Mine Lands Unit Staffing	\$ 209
3480	Conservation	SB1021 Implementation	\$ 473
3600	DFG	Improving Public Services	\$ 835
3600	DFG	Fishery Resource Assessment	\$ -
3600	DFG	Salton Sea Restoration	\$ 10,750
3600	DFG	Anadromous Fish Management	\$ 10,856
3600	DFG	Quagga Mussel AB 1683	\$ 428

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals shown in the chart above.

### 3. Various Departments – Reject

Org Code	Department	Issue	Amount (000)
3480	Conservation	Field Rules Implementation	\$ 129
3540	CALFIRE	State Fire Marshal BBR	\$ 315
3540	CALFIRE	Resource Management BBR	\$ 2,953
3540	CALFIRE	Southern California Wildfire Action Plan Recommendations	\$ 33,113
3600	DFG	Hunting, Fishing, Public Use BBR	\$ 1,189
3600	DFG	Biodiversity Conservation BBR	\$ 3,580

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposals and reject the budget balancing reductions shown in the chart above.

### 4. California Conservation Corps Budget Balancing Reduction

**Governor’s Proposed Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$3,764,000 General Fund from the California Conservation Corps (CCC). The administration proposes to reduce the work week for corpsmembers by four hours (\$2 million savings), close three non-residential centers thereby eliminating 75 corpsmember positions (\$1 million savings), reduce funding provided by the state to local conservation corps (\$337,000 savings), increase the monthly fee paid by corpsmembers for housing and other costs (\$165,000 savings), and reduce staff at CCC headquarters (\$207,000 savings).

**LAO Recommendation.** Because corpsmembers generate reimbursement revenues for CCC, the proposed reductions in the corpsmember work week and the elimination of corpsmember positions will reduce the reimbursement revenue available to support CCC operations. Specifically, these proposals will save \$3 million in General Fund, but cost the state \$3.4 million in lost reimbursement revenue used to support CCC programs.

In the budget year, after accounting for certain technical adjustments, the reimbursement-funded Collins–Dugan Account is projected to have a fund balance—about \$2 million—sufficient to offset the proposed \$1 million General Fund reduction achieved by closing three non-residential centers while leaving a minimally adequate fund reserve. Therefore, the LAO recommends increasing CCC’s budget-year expenditure authority from the Collins–Dugan Account by \$1 million—thereby avoiding the need to close the centers in the budget year while still achieving \$1 million in General Fund savings.

Because current reimbursement rates do not cover the entire cost of CCC’s training and work program, our budget solution—relying on reimbursement funding to offset a \$1 million General Fund reduction—is not sustainable in the long term. The LAO acknowledges that while their recommended fund shift can be accomplished in the budget year, it will leave the Collins–Dugan Account with a modest balance of less than \$1 million at the end of the budget year. It will be necessary for CCC to either raise reimbursement rates or increase the percentage of

corpsmember hours spent on reimbursable projects in order to avoid additional programmatic cuts in the long term. Therefore, the LAO also recommends the Legislature direct CCC to make every effort to increase reimbursement revenues in the budget year.

The LAO has no concerns with the proposed General Fund reductions involving funding for the local corps, increasing the housing cost for corpsmembers, and eliminating two administrative positions (totaling \$709,000). Therefore, the LAO recommends the Legislature approve a total of \$1.7 million of the Governor's proposed budget balancing actions.

One of the key legislative goals for CCC is to provide work training and education for corpsmembers. However, if the CCC is required to reduce the corpsmember work week as proposed by the administration, the LAO is concerned that corpsmember training and education would correspondingly be reduced. Because these activities generally do not generate reimbursement revenues, CCC is likely to reduce these activities rather than reimbursement-generating projects in implementing the proposed work-week reduction. The LAO believes that this would reduce the CCC's ability to meet its core statutory mission to provide training and job skills to corpsmembers. Therefore, the LAO recommends that the Legislature reject the proposed General Fund budget-balancing reduction of \$2 million in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Increase appropriation from the Collins–Dugan Account by \$1 million to offset the same General Fund reduction, as recommended by the LAO
- Reject the \$2 million General Fund reduction in the budget year, as recommended by the LAO
- Reduce the General Fund contribution to the local conservation corps by \$337,000 as proposed by the Governor
- Reduce the Headquarters budget by \$207,000 as proposed by the Governor
- Reject the increase in maintenance fees

## 5. CALFIRE – Board of Forestry Program Number

**Background.** The Board of Forestry and Fire Protection is a government-appointed body within the CALFIRE. It is responsible for developing the general forest policy of the state, for determining the guidance policies of the Department and for representing the state's interest in federal forestland in California.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt a budget bill change to give the Board of Forestry its own program number, thus creating a line-item within CALFIRE's budget for the Board of Forestry. This will allow for better transparency for Board of Forestry expenditures.

## 6. Department of Fish and Game – Court Ordered Suction Dredge Program Review

**Background.** Suction Dredging is the practice of vacuuming river or lake bottoms for gold. In 1994 the Department of Fish and Game (DFG) adopted regulations to implement the suction dredge program, as required by statute. Since that time, the DFG and the National Marine Fisheries Service have listed ten fish species as threatened or endangered.

In 2005, the Karuk Tribe of California filed a complaint for declaratory relief against the DFG in Alameda County Superior Court alleging the DFG's issuance of suction dredge permits in the Klamath, Scott, and Salmon River watersheds violated the California Environmental Quality Act (CEQA) because of the potential for suction dredge mining in these watersheds would result in significant impacts to the newly listed Coho salmon.

**Court Order.** On December 20, 2006, the Alameda County Superior Court ordered the DFG by June 2008 to "...conduct a further environmental review pursuant to CEQA of its suction dredge mining regulation and to implement, if necessary, via rulemaking, mitigation measures to protect the Coho salmon and/or other special status fish species...". The Court found that DFG has a legal obligation under CEQA to consider new information concerning the environmental effects of suction dredge mining on Coho salmon and other fish species of special concern.

**Current Fee Structure.** The current suction dredge permit fees are set in statute (Fish and Game Code 5653 (c)) and collect about \$150,000 annually.

**Governor's Budget.** The Governor's Budget proposes \$1 million General Fund for 2008-09 for an environmental review pursuant to the California Environmental Quality Act on the department's suction dredge program and mining regulations. This proposal also includes authority for \$500,000 General Fund for 2009-10.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the funds with trailer bill language that establishes a moratorium on the Department of Fish and Game issuance of further suction dredge permits until the CEQA document is completed.

## 7. Department of Fish and Game – San Joaquin River Restoration Implementation

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRCD and FWUA entered into a settlement agreement, the goal of which is to "restore and maintain fish populations" in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river.

While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state's role in the restoration. This MOU has been incorporated into the Court's Final Order, and as such the duties described in the MOU may have become contractual between the State, the Federal Government, and the local parties.

The projects that the Department of Fish and Game intends to undertake as part of a twenty-year program would restore flows, river-associated habitats, and naturally reproducing and self-sustaining populations of salmon and other fishes to the San Joaquin River. The specific projects would involve the planning and construction of fish-ways, fish screens, fish barriers, fish access channels, river channel improvements, and physical habitat developments.

**Governor's Budget.** The Governor's Budget proposes \$6,327,000 in Reimbursement authority for the first phase of the San Joaquin River Restoration Project. The reimbursement is coming from the Secretary for Resources' Proposition 84 bond funds. The proposal also includes the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government's share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Staff Analysis.** Concerns have been raised by the Settlement Agreement parties regarding the Governor's Budget bill language.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

## Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
0540	Secretary for Resources - CALFED Bay-Delta Program	\$ 87	\$ 607	\$ 5,465	\$ 43,420
3860	Department of Water Resources - Continuing Formulation of the California Water Plan	\$ -	\$ 1,583	\$ 14,249	\$ 626,183
3860	Department of Water Resources - Public Safety and Prevention of Damage	\$ 200	\$ 5,373	\$ 48,360	\$ 622,948
3860	Department of Water Resources - Services Program	\$ -	\$ 136	\$ 1,221	\$ 9,541

**Staff Recommendation.** Staff recommends that the Subcommittee accept the Governor's proposed budget balancing reductions shown in the chart above.

## 3860 Department of Water Resources

### 1. Salton Sea Interim Restoration Implementation

**Background.** California's interstate apportionment of the Colorado River water is limited to 4.4 million acre-feet during normal hydrologic years. However, California uses about 800,000 acre-feet more Colorado River water than the state's annual apportionment. Due to increasing water demands in Arizona and Nevada and directives from the federal government, California must reduce its use of Colorado River water to its "normal apportionment". As part of the negotiations for California's water usage, the Quantification Settlement Agreement (QSA) was adopted and subsequently enacted into state law. The restoration of the Salton Sea ecosystem is a part of the QSA.

Proposition 84 provides \$47 million for transfer into the Salton Sea Restoration Fund. Current law requires monies in the Salton Sea Restoration Fund to be used for: 1) environmental and engineering studies related to the restoration of the Salton Sea and the protection of fish and wildlife dependent on the sea; 2) implementation of conservation measures necessary to protect the fish and wildlife species dependent on the Salton Sea, including adaptive management measures; and 3) administrative, technical, and public outreach costs related to the restoration, air quality mitigation, and implementation of conservation measures necessary to protect the fish and wildlife species.

This funding request would continue implementation of those environmental measures and activities for protection of air quality and fish and wildlife resources that are identified in the Salton Sea Restoration and Management Program. Implementation of these measures and activities is necessary to mitigate air quality impacts and preserve as much of the historic wildlife species diversity and abundance as possible. The activities undertaken would be habitat restoration, land access (both easements and temporary entry permits), air and water quality mitigation, and monitoring and adaptive management.

**Governor's Budget.** The Governor's Budget proposes \$3 million in Reimbursements for the mitigation and conservation concepts and activities developed in the Salton Sea Restoration and Management Program to support air quality mitigation and endangered species conservation work. The reimbursement will come from the Department of Fish and Game Salton Sea Restoration Fund (into which are deposited Prop 84 funds).

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 2. Suisun Marsh Plan of Protection

**Background.** The Suisun Marsh is the largest contiguous brackish water marsh on the west coast of North America. It is a part of the San Francisco Bay-Delta estuary ecosystem. Encompassing 116,000 acres, the Suisun Marsh includes 52,000 acres of managed wetlands, 27,700 acres of upland grasses, 6,300 acres of tidal wetlands, and 30,000 acres of bays and sloughs.



Two policies drive state actions in the Suisun Marsh: the 1977 Suisun Marsh Preservation Act and the State Water Resources Control Board's water rights decisions. In response to a water rights decision, the Department of Water Resources and the United States Bureau of Reclamation developed the Plan of Protection, which proposed construction of large facilities and distribution systems to meet salinity standards, and implementation of a water quality monitoring station network throughout the Marsh.

**New Staff Responsibilities.** The two additional staff would:

- Provide engineering and environmental review for maintenance and improvement activities on aging facilities originally constructed in the marsh in the late 1970s.
- Provide engineering and environmental review of proposed activities within or near the marsh to ensure project facilities can continue to operate and function properly.
- Provide coordination and review of project facility operations to ensure additional requirements under revised biological opinions, such as the Fish and Wildlife Service and National Oceanic and Atmospheric Administration.
- Monitor, report, and coordinate with agencies on existing and future permit requirements for operation, maintenance, and improvement of existing project facilities in Suisun Marsh.

**Governor's Budget.** The Governor's Budget proposes \$299,000 from State Water Project funds for two permanent positions to carry out new tasks associated with continuing implementation of the 1984 Suisun Marsh Plan of Protection.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3. California/Nevada Water Allocation of the Truckee River

**Background.** In 1972, the Pyramid Lake Piute Tribe sued the State of California over water rights for the entire Truckee River and Lake Tahoe basin. This lawsuit led the State Water Resources Control Board to suspend the approval of any new surface water rights for the Truckee River.

Federal Legislation in 1990 precipitated negotiation of the Truckee River Operating Agreement (TROA), a new interstate water agreement. The TROA is completed and is anticipated to be signed in 2008. The implementation of TROA will create new surface and groundwater allocations for the California portion of the Lake Tahoe and Truckee River watersheds.

The TROA provides that there will be a Watermaster to administer the agreement, and that the costs of the Watermaster will be paid by the agreement parties. The Department of Water Resources has been a party to the TROA negotiations since 1990. The current DWR budget for the TROA is \$335,000 annually, but those costs are expected to rise as the TROA moves from the negotiating phase to the implementation phase.

**New DWR Responsibilities.** The TROA would require DWR to initiate a number of new activities, including:

- Assist in local efforts to develop ground water wells, monitor well locations, track new wells, and prepare an annual well report
- Prepare Annual Water Use Reports in the Lake Tahoe and Truckee River Basins
- Use models to track TROA operations
- Serve as lead the state agency to support the Biological Resources Monitoring Program to aid in the assurance that California's objectives for managing biological resources are being met in the Lake Tahoe and Truckee River Basin for operation of water supplies in storage, annual accounting, and reporting of all water use on the California side of the basin
- Develop a management plan with the Department of Fish and Game and California and local interests on exchanges and releases of California's Joint Program Fish Credit Water and Environmental Credit Water to provide the environmental and recreational needs in California

**Governor's Budget.** The Governor's Budget proposes \$350,000 in Federal Trust Funds for one (three-year) limited-term position to work on Truckee River Operating Agreement Implementation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

#### 4. Proposition 50 Technical Reversions and Appropriations: Water Conservation and Water Supply Reliability

**Background.** The CALFED Water Use Efficiency Program identified agricultural and urban grant programs as important mechanisms for improving water use efficiency in the state. The Department of Water Resources received Proposition 50 bond funds for water conservation grants, and in 2004 and 2007 held a competitive grant process. To date, DWR has selected and funded over 100 projects in water use efficiency. However, \$3,826,000 in previously appropriated funds remains unexpended since not enough projects were submitted for grants that met the program criteria.

The CALFED Groundwater Storage Program works on water supply reliability. Through this program, DWR provided assistance to local agency partners, including technical support, facilitation services, and financial assistance. In addition, DWR provided service contracts for engineering and facilitation services.

**Governor's Budget.** The Governor's Budget proposes \$6,449,000 from Proposition 50 bond funds for 14.5 existing positions to work on water conservation and water supply reliability projects. \$5,001,000 of these funds would come from reverting unused Proposition 50 bond funds from years 2004-05, 2005-06, and 2006-07.

- \$3.2 million for Water Use Efficiency technical assistance and science

- \$896,000 for Water Use Efficiency grants
- \$2,353,000 for Water Supply Reliability for 14.5 existing positions to support local agency partners in planning and implementing conjunctive management studies for increasing water supply reliability as part of comprehensive integrated regional water management plans

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 5. Urban Streams Restoration and River Protection Programs

**Background.** The Urban Streams Restoration Program provides grants to local government and non-governmental sponsors for multi-objective projects designed to solve urban flooding and erosion problems while restoring natural environmental values of streams. Because streams are dynamic systems, a problem left unaddressed at one location will often cause other changes in the system, frequently resulting in additional or larger problems. The applications for the Urban Streams Restoration funds have outpaced available funds each year grants have been available.

The River Protection Program provides funding for the acquisition and restoration of riparian habitat, river aquatic habitat, and other lands in close proximity to rivers and streams and for river and stream trail projects. Through this program DWR provided The Nature Conservancy with a \$5 million non-competitive grant for land acquisition in Tehama County as part of the much larger flood damage reduction effort by DWR, the Army Corps of Engineers, and others. The project is intended to increase the level of flood protection in Hamilton City from a less than 1-in-10 chance of flooding to at least a 1-in-75 chance of flooding annually. The environmental restoration element of this project includes the active restoration of approximately 1,500 acres of native riparian habitat along the Sacramento River.

The Nature Conservancy completed one acquisition in 2002, but the project subsequently ran into problems. There is now a willing seller of land to allow the project to continue. However, due to the project delays these funds reverted on June 30, 2007.

**Governor's Budget.** The Governor's Budget proposes \$9,643,000 from various bonds for local assistance in urban streams restoration. The funds would be divided as follows:

- \$7,370,000 from Proposition 84 for local assistance Urban Streams Restoration grants
- \$2,273,000 from Proposition 13 for local assistance for activities to be undertaken by The Nature Conservancy as part of the Sacramento River Hamilton City Area Flood Damage Reduction Project.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Proposition 13 funding but reject the Proposition 84 funding since the Proposition 84 funding is being appropriated through a policy bill (SBX2 1, Perata).

## 6. Capital Outlay

**Projects.** The Governor's Budget proposes multiple capital outlay projects:

- **Mid-Valley Area Levee Reconstruction Project** – \$2,782,000 (\$1,976,000 Prop 1E and \$806,000 Reimbursements) for the acquisition and construction phases, including \$290,000 for 1.5 existing positions. This project would restore levee sections of the Sacramento River Flood Control Project in Reclamation Districts between the Tisdale Bypass and the Sacramento Bypass to original design standards. This project reduces the risk of flooding to approximately 3,000 people and \$170 million in property in the Mid-Valley area. The total project cost is estimated at \$42,660,000.
- **South Sacramento County Streams** – \$1,624,000 (\$1,180,000 Prop 1E and \$444,000 Reimbursements) for construction, including \$459,000 to support 2.2 existing positions. This project would improve South Sacramento's level of flood protection from the Morrison Creek Stream from a 50-year level to an over 200-year level. This project protects 100,000 people and reduces the risk of damage to approximately \$700 million in property. The total project cost is estimated at \$89,620,000.
- **West Sacramento Project** – \$1,300,000 (\$1 million Prop 1E and \$300,000 Reimbursements) for construction, including \$780,000 for 3.5 existing positions. This project would provide 200-year flood protection to the City of West Sacramento and surrounding areas. This project would protect 40,000 people and \$2 billion in property. The total project cost is estimated at \$380,120,000.
- **Merced County Streams Project, Bear Creek Unit** – \$2,300,000 (\$1.3 million Prop 1E and \$1 million Reimbursements) for construction, including \$780,000 for three existing positions. This project would create the General Reevaluation Report (GRR) with the City and County of Merced and the U.S. Army Corps of Engineers for a future project that would provide 100-year flood protection to the City of Merced. The cost of the GRR will be \$4 million.
- **Sutter Bypass East Borrow Canal Water Control Structures** – \$4,000,000 from Proposition 1E for construction and 0.6 existing position. This project will complete construction of two replacement facilities in the East Borrow Canal of the Sutter Bypass: Weir 2 and Willow Slough Weir.
- **Frazier Creek/Strathmore Creek Feasibility Study** – \$250,000 in Reimbursements for a study, including \$119,000 for 0.5 existing positions. Also, this project would use \$340,000 from Proposition 84. This project is the second year of a three-year feasibility study for flood control improvements on Frazier Creek and Strathmore Creek in Tulare County near the community of Strathmore.
- **Rock Creek-Keefer Slough Feasibility Study** – \$237,000 in Reimbursement Authority for a study, including \$190,000 for one existing position. Also, this project would use \$526,000 from Proposition 84. This project would complete a feasibility study and initiate design for a public flood safety control project for the Rock Creek-Keefer Slough watershed.
- **White River/Deer Creek Feasibility Study** – \$250,000 in Reimbursement Authority for a study, including \$119,000 for 0.5 existing positions. Also, this project would use \$340,000 from Proposition 84. This project is the second year of a three-year feasibility study for flood control improvements on White River and Deer Creek in Tulare County.

**Staff Recommendation.** Staff recommends that the Subcommittee approve these capital outlay proposals.

## 7. Franks Tract Pilot Project

**Governor's Budget.** The Governor's Budget proposes \$3,450,000 in Proposition 13 bond funds for the working drawings and construction phases of the Franks Tract Pilot Project.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal since the funds are being appropriated through SBX2 1 (Perata).

## 8. Critical Support for Department of Water Resources Programs

**Background.** The Department of Water Resources has received over a hundred new positions in 2007-08 for which there were no corresponding increases in support personnel. For 2008-09, the department has requested over 200 new positions from bond funds, for which there is no corresponding support personnel increase.

The positions requested are:

- 4 temporary positions for Office of the Chief Counsel retired annuitants
- 5 permanent positions for Procurement and Contracting
- 3 permanent positions for Personnel
- 1 permanent position for Labor Relations Office
- 6 permanent positions for Division of Technology Services
- 3 permanent positions for Division of Fiscal Services

**Governor's Budget.** The Governor's Budget proposes \$1,682,000 for 18 new permanent positions and four temporary positions to provide administrative support. The funds would come from distributed administration divided between the department's various non-bond funding sources.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 9. CERS Reduction in Reliance on Personal Consultants

**Background.** The Department of Water Resources California Energy Resources Scheduling (CERS) division was established in 2001 to administer and handle all legal matters related to the department's energy contracts entered into during the 2000-01 energy crisis. These contracts will be fully paid in 2015, but will have a large reduction in 2012. CERS currently has 45 state employees and five consultants.

**Governor's Budget.** The Governor's Budget proposes to replace three consultants with three civil service employees. The replacement of these consultants would result in savings of \$38,000 in the budget year.

As the CERS energy contracts expire, the new positions would be moved to the State Water Project (SWP).

**Staff Analysis.** The CERS energy contracts would see a marked drop-off in 2012, at which time more staff would be freed up for this work. Staff does not find it advisable to add permanent employees for a four-year span of work during difficult budget times. Since it is not clear why the State Water Project needs these employees, transferring them to the SWP does not justify the need for these employees in the long term.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 10. Bay-Delta Modeling, Reporting, Review, and Support

**Proposal.** Four new positions for the State Water Project are proposed: two Engineer of Water Resources positions, one Senior Engineer of Water Resources position, and one Office Technician position. These positions will work on four areas:

- Development, maintenance, and application of currently unsupported Particle Tracking Model (PTM)
- Development of the State Water Project Delivery Reliability Report and support analyses using DWR's modeling tools
- Development of new tools to analyze complex Delta hydrodynamic, water quality, and statewide surface, and groundwater modeling results
- Clerical support for the administration section

The Engineer of Water Resources will develop, maintain, and apply the currently unsupported Particle Tracking Model (PTM) module of the Delta Simulation Model II to improve understanding of historical or proposed Delta flow patterns and their potential effects on fish.

**Governor's Budget.** The Governor's Budget proposes \$600,000 from State Water Project funds (off-budget) for four permanent positions to support and enhance modeling tools used by DWR for planning and management of the State's water resources system.

**Staff Analysis.** In the 2007-08 Budget Act, the department received authority for five new positions to develop and enhance modeling tools for the Sacramento-San Joaquin Delta river system. These five positions will develop real time forecasting for water deliveries at a statewide level, validate how well statewide models are doing in terms of producing results, develop and enhance the engine that runs a statewide groundwater-surface water interaction model, and develop a new advanced multi-dimensional hydrodynamic model.

The new requested positions would be for updating a current model that DWR uses for many of its programs to analyze structural and operational changes in the Delta. It contains three parts:

(1) hydrodynamics, (2) water quality, and (3) particle tracking. With the exception of particle tracking, the tasks of the requested positions and the positions granted last year largely overlap. These new positions may not be necessary as staff could be redirected to the highest priority project.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 3840 Delta Protection Commission

**Background.** The Delta Protection Commission (DPC) was created by statute in 1992 to develop a long-term resources management plan for land uses within the Sacramento-San Joaquin Delta. This plan is implemented by local governments in their land use planning processes. Broadly speaking, the main goal of the commission is to protect and enhance the overall quality of the Delta environment for agriculture, wildlife habitat, and recreational activities.

**Governor's Budget.** The Governor's budget proposes \$408,000 for the DPC. This is a 14.5 percent decrease over the current year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Delta Protection	\$477	\$408	-\$69	-14.5
<b>Total</b>	<b>\$477</b>	<b>\$408</b>	<b>-\$69</b>	<b>-14.5</b>
<b>Funding Source</b>				
Special Funds	\$172	\$165	-\$7	-4.1
<i>Budget Act Total</i>	<i>172</i>	<i>165</i>	<i>-7</i>	<i>-4.1</i>
Harbors and Watercraft Revolving Fund	238	233	-5	-2.1
Reimbursements	67	10	-25	-37.3
<b>Total</b>	<b>\$477</b>	<b>\$408</b>	<b>-\$69</b>	<b>-14.5</b>

## 1. Increased Member Contributions/Reimbursements

**Background.** The Delta Protection commission wants to increase its member agency contribution by \$10,000 annually from \$72,000 to \$82,000 per member agency.

The Delta Commission has stated that it needs the additional program management funding to:

1. Effectively meet the mandate of the Delta Protection Act
2. Implement the policies and recommendations for the Commission's Land Use and Resource Management Plan for the Primary Zone of the Delta
3. Implement the 2006-11 Strategic Plan Goals and Annual Tasks adopted by the Commission in July 2006
4. Permanently reclass existing analysis level position to management level

**Finance Letter.** The Governor's spring finance letter proposes \$128,000 from Reimbursements (\$56,000 one-time) to support program management and administrative enhancements to the Commission. The reimbursements would come from the Commission's member agencies.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.



## Discussion Items

### 3860 Department of Water Resources

**Background.** The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy and Utilities section of this report.)

**Governor's Budget.** The Governor's Budget proposes \$2.38 billion to support DWR in the budget year. This is a 6.6 percent decrease over estimated expenditures in the current year, mainly the result of a decrease in capital outlay funding. General Fund support for the department is proposed to decrease by 25 percent. An additional \$5.3 billion in CERS funding is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis).

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
California Water Plan	\$ 522,070	\$ 626,183	\$ 104,113	19.9
State Water Project Infrastructure	844,621	860,468	15,847	1.9
Public Safety and Prevention of Damage	696,103	622,948	-73,155	-10.5
Central Valley Flood Protection Board	-	2,000	2,000	100.0
Services	9,356	9,541	185	2.0
California Energy Resources Scheduling	5,524,273	5,316,063	-208,210	-3.8
Capital Outlay	483,096	266,222	-216,874	-44.9
Administration	63,848	65,470	1,622	2.5
<i>less distributed administration</i>	<i>-63,848</i>	<i>-65,470</i>	<i>-1,622</i>	<i>2.5</i>
Loan Repayment Program	-4,013	-4,013	0	0.0
<b>Total</b>	<b>\$ 8,075,506</b>	<b>\$ 7,699,412</b>	<b>-\$376,094</b>	<b>-4.7</b>
<b>Funding Source</b>				
General Fund	\$ 198,844	\$ 148,290	-\$50,554	-25.4
Special Funds	553,765	435,668	-118,097	-21.3
Bond Funds	1,701,843	1,743,790	41,947	2.5
<i>Budget Act Total</i>	<i>2,454,452</i>	<i>2,327,748</i>	<i>-126,704</i>	<i>-5.2</i>
Federal Trust Fund	12,978	13,531	553	4.3
State Water Project Funds	-	-	-	
DWR Electric Power Fund	5,524,273	5,316,063	-208,210	-3.8
Bosco-Keene Renewable Resources Investment Fund	20	0	-20	-100.0
Reimbursements	83,783	42,070	-41,713	-49.8
<b>Total</b>	<b>\$ 8,075,506</b>	<b>\$ 7,699,412</b>	<b>-\$376,094</b>	<b>-4.7</b>

## 1. State Water Project Dam Safety, Seismic Monitoring, and New Facilities Maintenance

**Background.** The Department of Water Resources (DWR) owns and operates 24 dams. In 2002, the Dam Safety Program was established to manage safety activities for dams operated and maintained by the DWR Division of Operations and Maintenance (O&M). DWR currently has 118 earthquake monitoring sites at the State Water Project (SWP) facilities. DWR is planning to upgrade and expand this seismic network in the near future by replacing field equipment and adding new seismic stations.

**Proposal.** The Governor's proposal is for:

- SWP Dam Safety – One new position for \$188,000 to manage dam-safety related projects, including review and maintenance of the 24 dams; analysis of dam performance; and maintenance, repair, and procurement of seismic instrumentation of SWP dams and facilities.
- SWP Seismic Monitoring – One new position for \$116,000 to install, calibrate, and maintain sensitive seismic monitoring equipment at SWP-facilities throughout the state.
- Operation and Maintenance of the East Branch of the California Aqueduct – Two new positions at \$249,000 to maintain and repair new SWP facilities on the East Branch Extension of the California Aqueduct.

**Governor's Budget.** The Governor's Budget proposes \$553,000 from State Water Project Funds to support SWP dam safety, SWP seismic monitoring, and operation and maintenance for the SWP facilities at the East Branch Extension of the California Aqueduct.

**Missing Report.** Senate Budget Subcommittee 2 requested a report on the State Water Project expenditures in lieu of bringing the State Water Project on-budget. Currently, State Water Project expenditures are not reflected in the Budget. This report has not yet been received.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open due to the missing report.

## 2. Cyber Security for Flood Emergency Response and the State Water Project

**Proposal.** The new position is requested to support the Department of Water Resources' (DWR) Information Security Officer in providing cyber security for departmental cyber assets, flood emergency response, and the State Water Project. Specifically, the new position would be involved with writing grants for Federal Homeland Security funding for disaster preparedness, cyber security, and infrastructure protection to ensure the integrity of DWR's critical business systems, and the State's water supply and flood control systems. This position would also write regular updates to the DWR Operational Recovery Plan, which specifies DWR's response to any incident or disaster that impacts the cyber systems.

**Governor's Budget.** The Governor's Budget proposes \$142,000 from various funding sources for one new permanent position to support DWR's Information Security Office in providing cyber security for flood emergency response and the State Water Project.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open due to the missing report on the State Water Project budget.

### 3. Pelagic Organism Decline Investigations and Data Synthesis

**Background.** Pelagic Organism Decline (POD) is the decrease of four pelagic fishes in the Sacramento-San Joaquin Delta. POD has resulted in shutdowns of the State Water Project. Under the State Water Resources Control Board Water Rights Decision D-1641, the California Department of Water Resources is responsible for assessing the impacts of the State Water Project on the Delta ecosystem.

Two positions are proposed to conduct "bottom up" science on POD, meaning an investigation and analysis on the food chain of the pelagic fishes. One new position will conduct extensive investigations and analyses of potential causes of POD by examining changes in the pelagic organism food chain productivity, specifically phytoplankton, zooplankton, and benthic organisms in both a temporal and geospatial approach. The second position will conduct investigations integrating developed fish life cycle models along with temporal and geospatial water quality, hydrology, and hydrodynamics data to determine co-location with stressors in the environment.

**Governor's Budget.** The Governor's Budget proposes \$334,000 from State Water Project Funds (off-budget) for two permanent positions to conduct investigations and analyses of potential causes of Pelagic Organism Decline.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open this item due to the missing report on the State Water Project budget.

### 4. Bryte Chemical Lab Staff and Data Management

**Background.** The Bryte Chemical Laboratory tests water quality in the Sacramento-San Joaquin Bay Delta. The Bryte Chemical Lab is currently certified by the Department of Health Services to perform mercury analyses for DWR programs and projects involving EPA drinking water and wastewater regulations.

**Positions Requested.** The Governor's Budget requests a chemist for the projected increase in workload capacity to detect mercury levels at the specified concentration range of nanograms per liter (or parts per trillion). This proposal also requests an environmental scientist position to support and augment the Lab's water quality data management services for DWR.

**Governor's Budget.** The Governor's Budget proposes two new positions with existing resources to perform current and future analytical work involving low-level mercury analyses and water quality data management. The cost of the two positions is \$133,000 annually from State Water Project Funds.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open this item due to a missing report on the State Water Project.

## 5. Environmental Compliance Restoration and Water Quality Monitoring for the State Water Project

**Background.** The Department of Water Resources (DWR) Office of Environmental Compliance and Evaluation (EC&E) is tasked to ensure DWR's compliance with applicable environmental laws and regulations in support of the continued operation of the State Water Project. In the past five years increased monitoring for endangered species has led to an increased workload for the EC&E.

*Environmental Compliance Restoration.* As a part of this request, three new permanent full-time positions are requested for the EC&E to work on environmental and occupational health and safety laws and regulations in support and maintenance of the state water project. These new requirements are related to FERC license implementation, levee maintenance, climate change, water storage, water conveyance, and resource management.

*Water Quality Monitoring.* Due to the decline of pelagic organisms in the Delta, the State Water Project wants to examine the availability of food for pelagic fish in the Delta. This includes water quality testing for benthic communities, phytoplankton, and zooplankton. Currently, the water quality monitoring is being conducted by eight Scientific Aides, who are limited to 1,500 hours of work a year. DWR wants to eliminate the Scientific Aides positions and replace them with five full-time positions.

**Governor's Budget.** The Governor's Budget proposes eight new permanent positions to work on occupational health and safety laws, as well as protection of the ecosystem and sensitive species. The funding will be redirected internally from the State Water Project, so no new funds are requested. The cost of the positions is \$845,000 annually.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 6. Central Valley Flood Protection Board

**Background.** Legislation was enacted in 2007, (AB 5 and SB 17) that renamed the Reclamation Board the Central Valley Flood Protection Board. The Board is required to act independently of the Department of Water Resources and continue to exercise all of its powers, duties, purposes, responsibilities, and jurisdiction. The membership of the Board increased from seven to nine

members, seven being appointed by the Governor and subject to Senate confirmation, and two members serving as non-voting ex officio members. Salary of the seven appointed members will be equivalent to the members of the Air Resources Board. Furthermore, AB 162 of 2007, requires the Board to review revised safety elements of local governments' general plans prior to the adoption of the amended safety element.

**Governor's Budget.** The Governor's budget proposes \$2 million from the General Fund for state operations in support of the establishment of the Central Valley Flood Protection Board to replace the Reclamation Board effective January 1, 2008. This proposal also supports Board review and comment on local agency general plan safety elements.

**Budget Balancing Reduction.** The Governor has proposed a budget balancing reduction to cut the Central Valley Flood Protection Board's proposed budget by \$200,000.

**Staff Analysis.** The bill analysis for SB17 stated that the operational costs of the Central Valley Flood Protection Board (CVFPB) would be \$1.4 million annually starting in 2008-09. Therefore funding the CVFPB at a level below \$2 million would be justified. The old Reclamation Board had a budget of \$600,000 annually.

**Staff Recommendation:** Staff recommends that the Subcommittee accept the budget balancing reduction.

## 7. LAO Proposal – Flood Management Fee

**General Fund Proposed for Baseline Flood Management.** The budget includes about \$43 million from the General Fund for baseline expenditures (state operations and local assistance) in the flood management program (excluding debt-servicing costs for a flood-related lawsuit settlement). This funding is used for (1) floodplain management to include identifying land subject to flooding and encouraging local land use practices consistent with the existing flood threat, (2) managing the Central Valley Flood Protection Board, (3) maintenance of the state-federal system of flood control including encroachment control and inspection, (4) administration of local flood control subventions, and (5) flood forecasting and natural disaster assistance.

**Department Lacks Fee Authority to Cover its Flood Management Costs.** The department funds its flood management activities using some baseline General Fund support as well as significant bond funds. The department currently lacks fee authority to cover the costs of its flood management activities that benefit local agencies and/or private parties (such as landowners). This is unlike many other resources and environmental protection agencies where fees currently pay for services the department provides directly to identifiable beneficiaries.

**Recommend Broad-Based Flood Management Fee.** The LAO review finds that the department's existing flood-related activities funded by the General Fund, while largely focused in the Central Valley system, also significantly benefit other flood-prone areas of the state. This includes activity in the Sacramento-San Joaquin Delta through which much of the state's

drinking water passes, as well as areas in Southern California in flood zones. The LAO therefore recommends the Legislature enact a flood management fee on the broad segment of the state's population that benefits from the department's flood management activities currently funded from the General Fund. There are a number of options available for structuring the fee, including imposing fees based on current federal flood-zone designations, or seeking a more broad-based fee to include those jurisdictions with locally determined flood zones designations, and taking into account the protection afforded to the property owner by the state Central Valley flood control system.

The LAO recommends that the broad-based flood management fee be structured in a way that provides incentives for local governments who give greater consideration to potential costs and benefits of approving development in flood zones. For example, the fee could be lower for those living in local areas with good land-use planning practices from a flood management perspective and higher in areas lacking such practices.

**Legislation Would Need to Specify the Particulars of the Flood Fee.** In order for a new broad-based fee to be created for flood management activities, legislation should be enacted to determine the fee structure, the collection mechanism (potentially the fee could be collected as a state surcharge on property tax bills), where the fee revenues are to be deposited (the LAO recommends the creation of a new special fund), and the eligible uses of the special fund revenues. In addition, for General Fund savings to be realized in the budget year, legislative action to establish the fee would need to be taken soon. Assuming timely enactment, this recommendation could result in General Fund savings of about \$40 million in the budget year, as the new fee revenues could replace General Fund support for flood management of a like amount.

**Staff Recommendation.** No action at this time, an informational item only.

## 8. FloodSAFE California Program

**Background.** FloodSAFE California is a long-term strategic initiative developed to reduce flood risk in California. The program will use an integrated Statewide approach for managing California's aging flood systems, considering the changing climate conditions and growing population. The program will be managed by Department of Water Resources' Division of Flood Management. FloodSAFE California has the following goals:

- Reducing flood risk to the people of California, their homes and property, the State's infrastructure, and public trust resources
- Developing sustainable flood management systems for the future
- Reducing the adverse consequences of floods when they do occur

**Governor's Budget.** The Governor's Budget proposes \$459,559,000 from Proposition 1E and Proposition 84 bond funds for the FloodSAFE California program. The funds would be divided as follows:

- State-federal Flood Control System Modifications – Early Implementation Projects: \$170 million total from Proposition 1E, Section 5096.821(a) and (b) – divided with \$7 million for support and \$163 million for local assistance – 5 new positions
- Programmatic Habitat Restoration: \$5.5 million total from Proposition 84, Section 75033 – divided with \$1 million for support and \$4.5 million for local assistance – 4 new positions
- Delta Risk Management Strategy Concepts Augmentation: \$2 million from Proposition 84, Section 75033 all for support – no new positions
- Delta Levee System Integrity: \$58 million total from Proposition 84, Section 75033 – divided with \$6.5 million for support and \$51.5 million for local assistance – no new positions
- Meins Landing Implementation: \$2 million from Proposition 84, Section 75033 for local assistance – no new positions
- Sycamore Creek Diversion Channel Erosion Study: \$800,000 from Proposition 1E, Section 5096.821(a) for support – no new positions
- Hydrology and Hydraulics Development: \$10 million from Proposition 1E, Section 5096.821(b) for support – no new positions
- Flood Control Subventions: \$73.7 million total from Proposition 84, Section 75034 – divided with \$72,159,000 for local assistance and \$1,541,000 for support – no new positions
- Feasibility Study, Levee Evaluation, and Regional Flood Management Planning Grants: \$30 million total from Proposition 84, Section 75032 – divided with \$1.5 million for support and \$28.5 million for local assistance – no new positions
- Floodway Corridor Program: \$39.5 million total from Proposition 1E, Section 5096.825 – divided with \$1.5 million for support and \$38 million for local assistance – no new positions
- Flood Protection Corridor Program: \$12.1 million from Proposition 84, Section 75032.5 for local assistance – no new positions
- Alluvial Fan Task Force Implementation: \$500,000 from Proposition 84, Section 75031 for support – one limited-term position
- Enhance Flood Response and Preparedness: \$3 million from Proposition 84, Section 75032 for support – no new positions
- Improve Readiness and Emergency Response – Major Delta Levee Failure: \$54 million total from Proposition 84, Section 75033 – divided with \$52 million in one-time support and \$2 million in on-going support – 5 new positions

**Staff Recommendation.** Staff recommends that the Subcommittee reject the entire proposal since it will be funded through a policy bill (SBX2 1, Perata).

## 9. Proposition 1E Bond Accountability and Management

**Background.** The Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E) authorized \$4.06 billion in general obligation bonds to rebuild and repair California's most vulnerable flood control structures to protect homes and prevent loss of life from flood-related



disasters, including levee failures, flash floods, and mudslides, as well as to protect California's drinking water supply system by rebuilding delta levees.

Executive Order S-02-07 requires all government agencies that spend bond funds to institute a three-part accountability structure that includes: front-end accountability, in-progress accountability, and follow-up accountability.

Currently, DWR is utilizing various managers, engineers, environmental scientist, administrative staff, and an information office in an attempt to manage various cross-cutting activities inherent in the FloodSAFE California program. These cross-cutting activities include: contracts management, human resources support and logistics, public outreach, legislative affairs, environmental issues, stakeholder communication, and agency coordination, as well as certain bond accountability and management functions.

This request is for additional resources to provide support for bond accountability and management to help ensure effective use of the Proposition 1E bond funds requested in other 2008-09 DWR budget proposals.

**Governor's Budget.** The Governor's Budget proposes \$800,000 from Proposition 1E bond funds for four new positions to support bond accountability, management, and metrics tracking for Proposition 1E.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 10. Systemwide Levee Evaluations and Repairs

**Background.** The levee evaluations inspect levees in the State Plan of Flood Control and non-project levees protecting urban areas that are also protected by State or federal project levees. Levee evaluation is done every 1,000 feet of levee by taking a 100 foot deep sample of the levee materials. The levee evaluation program also focuses on developing uniform standards for collecting and managing existing and new geotechnical data, so that information can be shared by federal, state, and local agencies.

Levee repairs are bringing the levy back to its original standard of design. The original design standard means (a) the approved levee height (3 feet above the design water surface profile), (b) standard approved cross section (levee slopes, crown width), and (c) the ability to safely carry the flood waters at the design water surface profile.

**Governor's Budget.** The Governor's Budget proposes \$126,500,000 from Proposition 1E bond funds for levee evaluations and repairs in the State Plan of Flood Control. The funds would be:

- \$39 million for levee evaluations
- \$39 million for levee repairs
- \$48.5 million for erosion repairs

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 11. Integrated Regional Water Management and Stormwater Flood Management

**Background.** Proposition 84 and Proposition 1E, passed by voters in November 2006, jointly provided \$1.9 billion for integrated regional water management. The Department of Water Resources is proposing to use these funds for local assistance grants, grant administration, and technical assistance, including data analysis and program assessment.

**Governor's Budget.** The Governor's Budget proposes \$350,025,000 from Proposition 84 bond funds and \$102 million from Proposition 1E bond funds for Integrated Regional Water Management and Stormwater Flood Management (IRWM). Specifically, the funds requested are:

### Proposition 84 Bond Funds – Integrated Regional Water Management Regional Funds

- IRWM Implementation Grants – \$300 million
- IRWM Planning Grants – \$7.5 million

### Proposition 84 Bond Funds – Integrated Regional Water Management Interregional Funds

- IRWM Planning Grants – \$5 million
- IRWM Planning Grants for Disadvantaged Communities – \$2.5 million
- Local Groundwater Assistance Grants – \$4.5 million
- Directed Actions to Projects With Inter-Regional and Statewide Benefits – \$9,525,000
- Directed Actions to Projects Providing for Critical Needs of Disadvantaged Communities – \$2.5 million
- CALFED Scientific Research Grants – \$8 million

### Proposition 84 Bond Funds – Integrated Regional Water Management Program Delivery

- \$10.5 million

### Proposition 1E Bond Funds – Stormwater Flood Management Grant Program

- Stormwater Flood Management Grants – \$100 million
- Program Delivery – \$2 million

### Proposition 50 – Fund Shift from Local Groundwater Assistance to Integrated Regional Water Management

- \$6.4 million from Local Groundwater Assistance to Integrated Regional Water Management

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposal since this appropriation will be handled through a policy bill.

## 12. Drinking Water Quality – Pilot Projects

**Background.** Proposition 50, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, authorized \$3.44 billion in bond funds for various water quality programs. Chapter 6, Section 79545 (b) and (c) provided \$50 million for projects to address drinking water contaminants. Though the Department of Water Resources (DWR) serves as the financing and administrative agency for Chapter 6 (b) and (c), the technical and environmental review of applications and claims for payment are contracted with the California Department of Public Health (DHP) through an interagency agreement.

In FY 2005-06, the Legislature approved \$11,700,000 in each of two years for the Drinking Water Quality – Pilot Projects. During the initial grant solicitation, none of the projects met the criteria for funding and the FY 2005-06 appropriation reverted. A reappropriation of the FY 2006-07 funds (approximately \$11,424,000) was requested and approved by the Legislature so that funding would be available to continue efforts to support various studies and demonstration projects to develop effective, efficient, and economical ways of removing drinking water contaminants.

Since the initial solicitation, the grant criteria was refined. DPH sent out a public invite for Chapter 6 funds (in conjunction with their Chapter 3 & 4 solicitation) and over 900 pre-applications were received. DPH ranked the projects and invited applicants to submit full proposals. Twelve eligible projects for Chapter 6 were received, totaling \$16.1 million.

To date, DWR has issued 4 commitment letters for grants totaling \$4.093 million. In addition, 4 other projects totaling an additional \$4.36 million are going through the application stage. DWR plans to use the funds currently budgeted to make these awards. The additional funding requested in the FY 2008-09 BCP will enable DWR to fund other eligible projects that have already been identified and for other projects identified in a fourth round of solicitation, which is expected to happen this summer.

**Governor’s Budget.** The Governor’s Budget proposes \$16,439,000 from Proposition 50 to fund two existing positions and 12 pending projects on developing ways of removing drinking water contaminants.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 13. San Joaquin River Restoration Reimbursable Authority

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to “restore and maintain fish populations” in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river.

**State Role.** While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state's role in the restoration. These departments did not have the authority to enter into an MOU, and such an MOU does not place contractual obligations on the Legislature.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) provides \$100 million to the Resources Agency for San Joaquin River restoration. The Resources Agency estimates that costs for restoring the San Joaquin River will range from \$350 to \$800 million over 20 years.

In the *2007-08 Budget Act*, the Legislature provided \$13.8 million in one-time bond funds for studies, baseline monitoring, project planning, management, and other research costs; the establishment of a technical advisory committee; and the establishment, operation, and other costs of the Restoration Administrator.

**Governor's Budget.** The Governor's Budget proposes \$9,579,000 from Reimbursements to make two limited-term positions permanent and to help implement a court settlement agreement to restore flows and salmon populations to the San Joaquin River between Friant Dam and the Merced River. The reimbursement comes from the Secretary for Resources Proposition 84 bond funds.

In addition, the Governor proposes the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government's share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Staff Analysis.** The Subcommittee approved these funds for the Secretary for Resources, and the approval of this reimbursement is a matching action. The Subcommittee rejected the Governor's budget bill language after the Settlement Agreement parties raised concerns, and passed alternative budget bill language.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

## 14. Colorado River Management – All American and Coachella Canal Lining Projects

**Background.** California's share of Colorado River water is limited to 4.4 million acre feet during a normal hydrologic year. This is enough water for about 6.4 million people for a year. However, in the past, California has used up to 800,000 acre feet more than what is apportioned to the State.

The water demands of Arizona and Nevada, which also draw from the Colorado River, have been growing as well. The United States Department of Interior directed California to reduce its use of Colorado River water to 4.4 million acre feet. The Quantification Settlement Agreement (QSA) allows California to use surplus water above 4.4 million acre feet for 15 years. The surplus water would come from methods such as water conservation. The California Plan includes conservation of Colorado River water through specified canal lining projects and improved water management through implementation of groundwater storage and dry-year supply projects, in addition to other measures.

Federal law prohibits the use of federal funds for the lining of the canal.

**Governor's Budget.** The Governor's Budget proposes \$13,484,000 General Fund for local assistance for canal lining and other projects considered essential to reduce the State's Colorado River water use.

**LAO Recommendation.** Current law requires that the General Fund be used to meet the QSA obligations. The LAO recommends that legislation be enacted to allow bond funds to replace the General Fund, while holding the QSA and California Plan whole, to complete California's obligation to reduce its water use from the Colorado River. Implementation of this recommendation would result in General Fund savings of \$13.5 million, without negative impact to the proposed projects.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the LAO proposal and fund the project with Proposition 84 Integrated Regional Water Management statewide funds.

## CALFED – All Departments

### CALFED Expenditures - State Funds Only

(in millions)

Expenditures by Program Element	2007-08	2008-09
Bay-Delta Conservation Plan	\$ 15.2	\$ 3.2
Conveyance	94.9	31.5
Delta Vision	0.4	2.0
Ecosystem Restoration	276.7	50.7
Environmental Water Account	75.1	-
Levee System Integrity	64.1	65.9
Oversight and Coordination	8.4	8.1
Science	21.0	36.6
Storage	-	9.8
Water Quality	96.7	12.3
Water Supply Reliability	2.5	2.3
Water Use Efficiency	72.3	15.9
Watershed Management	12.9	4.1
<b>Total</b>	<b>\$ 740.2</b>	<b>\$ 242.4</b>
Expenditures by Department		
Water Resources	\$ 388.1	\$ 168.2
Fish and Game	247.7	32.1
Secretary for Resources	17.2	26.3
Public Health	81.2	6.9
State Water Resources Control Board	1.1	4.0
Department of Conservation	3.3	3.3
Forestry and Fire Protection	1.5	1.5
San Francisco Bay Conservation	0.1	0.1
<b>Total</b>	<b>\$ 740.2</b>	<b>\$ 242.4</b>
Expenditures by Fund Source		
General Fund	\$ 16.0	\$ 15.5
Proposition 13	118.8	15.2
Proposition 50	366.2	52.9
Proposition 84	122.1	104.5
Proposition 204	59.1	1.7
State Water Project Funds	55.7	50.2
Other State Funds	2.3	2.4
<b>Total</b>	<b>\$ 740.2</b>	<b>\$ 242.4</b>

Note: This chart refers to the Governor's proposed budget and does not reflect April Finance Letters.

## Background on CALFED

**What is the Bay-Delta?** The San Francisco Bay/Sacramento-San Joaquin Delta system consists of numerous tributaries, sloughs, islands, and an estuary located in the San Francisco Bay region. The Bay-Delta system covers over 738,000 acres in five counties. The region supports over 750 plant and animal species. The Bay-Delta supplies the drinking water to two-thirds of Californians and the irrigation water for over 7 million acres of highly productive agricultural land.

**CALFED History.** Pursuant to a federal-state accord signed in 1994, CALFED was an administratively created consortium of 25 state and federal agencies that have regulatory authority over water and resource management in the Bay-Delta region. The CALFED was established to resolve ecosystem quality, water quality, water supply reliability, and levee and channel integrity of the Bay-Delta system. This joint state and federal effort intends to enact comprehensive, consensus-based programs and facilities to mutually address long-standing Bay-Delta water management problems. The program is designed to ensure the state's water is prudently managed to protect its natural resources, municipalities and industries, agriculture, and overall economy.

For five years, CALFED planned direction and implementation strategies. These plans came to be known as the 2000 Record of Decision (ROD). The ROD represents the approval of the lead CALFED agencies of the final environmental review documents for the CALFED plan. Among other things, the ROD lays out the roles and responsibilities of each participating agency; sets goals for the program and types of projects to be pursued; and includes an estimate of the program's costs for its first seven years. The CALFED program implementation was anticipated to last 30 years.

Chapter 812, Statutes of 2002 (SB 1653, Costa), created a new state agency in the Resources Agency – the California Bay-Delta Authority (CBDA) – to oversee the overall CALFED program, as well as to directly implement the CALFED science program. Chapter 812 assigned responsibility for implementing the program's other elements (such as water quality, ecosystem restoration, and water storage) among a number of other state agencies. While the CBDA reviewed and approved the annual work plans and expenditure plans of the implementing agencies, Chapter 812 explicitly provided that nothing in the legislation “limits or interferes with the final decision making authority of the implementing agencies”.

**Independent Reviews Critical of CALFED.** During 2005 and 2006 four independent reviews were conducted of CALFED. These reviews found common agreement that the CALFED governance structure was not working well, state priorities for CALFED were not clear, and meaningful performance measures for the program were lacking. These independent reviews were:

- Little Hoover Commission – Review of CALFED governance.
- Department of Finance, Office of State Audits and Evaluations – Fiscal review of CALFED expenditures since inception and CALFED's expenditure tracking mechanisms.

- Department of Finance, Performance Review Unit – Program review of the implementation status of CALFED programs.
- KPMG (a private consultancy firm) – Interview and survey of CALFED stakeholders.

All of these independent reviews found that:

- The CALFED governance structure was not working well and was impeding the program's effectiveness. Responsibilities among CALFED implementing agencies were not clear and no one was in charge.
- The state's priorities for CALFED were not clear.
- Meaningful performance measures to track the program's progress and hold the program accountable for outcomes were lacking.

**CALFED Financing.** The Record of Decision (ROD) envisioned that CALFED would be financed over time by roughly equal contributions of federal, state, and local funding. However, the state has consistently been the major funding source for the program during its first seven years, providing about \$2.3 billion, or 50 percent, of funding.

The ROD also endorsed the concept of beneficiary pays. However, no user fees have supported the CALFED program. In January 2005, CALFED submitted to the Legislature a long-term financing plan that included funding from user fees, but no specific proposals for these new fees or how they would actually be implemented. The 2005 long-term financing plan was not considered viable or complete by the Legislature since it included assumptions of high levels of federal funding that had never previously been achieved and unspecified sources of new state funds. Currently, CALFED does not have a long term financing plan.

**CALFED Reorganization.** The Legislature reorganized the CALFED governance structure in 2006, in an effort to clarify lines of accountability within the program and hold the program accountable for its performance. The reorganization included the transfer of all of California Bay-Delta Authority's positions (totaling 71) to the Secretary for Resources and five other CALFED implementing agencies.

## Delta Vision

**Background.** Executive Order S-17-06 established the Blue Ribbon Task Force to develop a durable vision for sustainable management of the Delta. This Delta Vision process is intended to broaden the focus of past efforts within the Delta to recommend actions that will address the full array of natural resource, infrastructure, land use and governance issues necessary to achieve a sustainable Delta. A report on the final Delta Strategic Plan will be submitted by the Delta Vision Committee to the Governor and Legislature by December 31, 2008.

Delta Vision is based on a growing consensus among scientists, supported by recent legislation and other information, indicating that:

- Environmental conditions and current Delta "architecture" are not sustainable;



- Current land and water uses and related services dependent on the Delta are not sustainable based on current management practices and regulatory requirements;
- Current environmental conditions and current and ongoing services (e.g., utility, transportation and water conveyance services) are reliant on an aging and deteriorating levee system;
- Major "drivers of change" that are largely outside of our control will impact the Delta during the coming decades, including seismic events, land subsidence, sea level rise, regional climate change, and urbanization;
- The current fragmented and complex governance systems within the Delta are not conducive to effective management of the fragile Delta environment in the face of the cumulative threats identified above; and
- Failure to act to address identified Delta challenges and threats will result in potentially devastating environmental and economic consequences of statewide and national significance.

The Delta Vision provided a series of recommendations for the policy direction of the Delta:

1. Delta ecosystem and a reliable water supply for California are the primary, co-equal goals for sustainable management of the Delta.
2. The California Delta is a unique and valued area, warranting recognition and special legal status from the State of California.
3. The Delta ecosystem must function as an integral part of a healthy estuary.
4. California's water supply is limited and must be managed with significantly more efficiency to be adequate for its future population, growing economy and vital environment.
5. The foundation for policy making about California water resources must be the longstanding constitutional principles of "reasonable use" and "public trust;" these principles are particularly important and applicable to the Delta.
6. The goals of conservation, efficiency, and sustainable use must drive California water policies.
7. A revitalized Delta ecosystem will require reduced diversions, or changes in patterns and timing of those diversions, upstream, within the Delta and exported from the Delta at critical times.
8. New facilities for conveyance and storage, and better linkage between the two, are needed to better manage California's water resources to the estuary and exports.
9. Major investments in the California Delta and the statewide water management system must be consistent with, and integrate specific policies, in this vision. In particular, these strategic investments must strengthen selected levees, improve floodplain management and improve water circulation and quality.
10. The current boundaries and governance system of the Delta must be changed. It is essential to have an independent body with authority to achieve the co-equal goals of ecosystem revitalization and adequate water supply for California while also recognizing the importance of the Delta as a unique and valued area. This body must have secure funding and the ability to approve spending, planning, and water export levels.
11. Discouraging inappropriate urbanization of the Delta is critical both to preserve the Delta's unique character and to ensure adequate public safety.
12. Institutions and policies for the Delta should be designed for resiliency and adaptation.

## Bay-Delta Conservation Plan

The purpose of the Bay Delta Conservation Plan (BDCP) is to help recover endangered and sensitive species and their habitats in the Delta in a way that will also provide for sufficient and reliable water supplies. The BDCP is intended to provide for the conservation of at-risk species in the Delta and improve the reliability of the water supply system within a stable regulatory framework. The process is being conducted consistent with state and federal laws that encourage the development of broad habitat conservation plans that protect natural communities in exchange for regulatory assurances.

The BDCP is being developed under the Federal Endangered Species Act (ESA) and the California Natural Community Conservation Planning Act (NCCPA) and will undergo extensive environmental analysis that will include opportunities for public review and comment.

The BDCP planning process provides opportunity for a broad range of participants to work together to develop a comprehensive conservation plan that will accommodate the needs of both people and endangered fish and wildlife species alike.

The BDCP will:

- Identify and implement conservation strategies to improve the overall ecological health of the Delta;
- Identify and implement ecologically friendly ways to move fresh water through and/or around the Delta;
- Address toxic pollutants, invasive species, and impairments to water quality; and
- Provide a framework to implement the plan over time.

## Delta Risk Management Strategy

The Department of Water Resources is statutorily required to evaluate the potential impacts of levee failures in the Delta (from risks such as earthquakes and climate change) and, along with the Department of Fish and Game, evaluate options to mitigate these risks. The departments' required report to the Governor and Legislature by January 1, 2008, has been delayed and is currently undergoing independent scientific review.

## Governor's Letter to the Senate

On February 28, 2008, the Governor sent a letter to Senators Perata, Machado, and Steinberg outlining the administration's actions being considered as part of a comprehensive solution in the Delta. Some of the key elements under development are:

- A plan to achieve a 20 percent reduction in per capita water use statewide by 2020
- Protection of the floodplain in the Delta
  - Policy guidance on Delta land use
  - Levee protection and standards
- Multi-agency Delta disaster planning
  - Contract for emergency response equipment and services
- Expedite interim Delta actions
- Water quality
- Improvements to Delta water conveyance
- Water storage

## CALFED Overview Presentation

Mark Newton, LAO

- Overview of CALFED Budget and LAO Recommendations

Joe Grindstaff, CALFED Director

- CALFED Funding to Date
- The Planning Process – Delta Vision, The Bay-Delta Conservation Plan
- Future of CALFED

## 3860 Department of Water Resources

### 1. Alternative Delta Conveyance

**Background.** Following the passage of the Burn-Porter Act in the 1960s, the Department of Water Resources began studying a peripheral canal designed to deliver high quality water from the Sacramento River around the Sacramento-San Joaquin Delta to the State Water Project and the Central Valley Project. These studies were suspended in the 1980s after a proposition to fund such a peripheral canal was defeated by public vote.

Increasingly it has become apparent that the current patterns of use in the Delta are unsustainable, and catastrophic events, such as an earthquake, could cause dramatic changes in minutes. The Delta Vision process has called for new facilities for conveyance and storage, and a better linkage between the two, in order to better manage California's water resources for both the estuary and exports.

The Bay-Delta Conservation Plan (BDCP) is a natural communities conservation plan being prepared with a wide range of stakeholders. The BDCP's purpose is to provide for the conservation of at-risk species in the Delta and improve the reliability of the water supply system within a stable regulatory framework. The process is being conducted consistent with state and federal laws that encourage the development of broad habitat conservation plans that protect natural communities in exchange for regulatory assurances.

DWR has initiated the public process to study the environmental impacts of the Bay Delta Conservation Plan. DWR will prepare a joint Environmental Impact Report/Statement for BDCP. DWR will serve as the lead agency under the California Environmental Quality Act for

the environmental studies. The National Marine Fishery Service, U.S. Fish and Wildlife Service and the U.S. Bureau of Reclamation will be the federal lead, co-lead, or cooperating agencies.

**Proposal.** In response to crashing ecosystems in the Delta, the State has been supporting various Delta-related planning efforts including the Delta Vision Task Force that have all agreed that current water conveyance in the Delta is not sustainable from either an environmental or water supply perspective. As recommended by the Delta Vision, this proposal would provide staff augmentations to manage technical studies to begin studying alternatives available for improving the Delta water conveyance systems by looking at the following:

- The possibility of no new Delta conveyance facility;
- The possibility of a dual conveyance facility, as suggested by the Task Force;
- The possibility of an isolated facility;
- The possibility of substantial improvements and protections of the existing water export system, most often referred to as “armoring the Delta” or a “through-Delta” solution.

Knowledge gained from this process will be integrated into the ongoing public Bay Delta Conservation Plan (BDCP) discussions between State and Delta stakeholders. Ultimately, it is the goal of the BDCP that an overarching habitat conservation plan agreement on the Delta be achieved that will provide regulatory assurances for water exports in exchange for aquatic and terrestrial environmental mitigation and enhancement that are above and beyond the requirements of CEQA and NEPA.

**Governor’s Budget.** The Governor’s Budget proposes \$1.4 million from State Water Project funds for eight new positions to support the collection, review, and updating of information on an Alternative Delta Conveyance Facility and begin preparation of an Environmental Impact Report for such a facility.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 2. Ecosystem Water Quality – Proposition 13

**Background.** The San Joaquin River, which includes the Stockton Deep Water Ship Channel, regularly experiences periods of low dissolved oxygen concentrations. Dissolved oxygen in too high a concentration can prevent phytoplankton and zooplankton from thriving. Pelagic organisms, particularly some species of endangered fish, need phytoplankton and zooplankton as a food supply.

In 1998, the State Water Resources Control Board identified dissolved oxygen in the Stockton Deep Water Ship Channel as a problem. In 2000, the voters passed a bond that provided funds for dealing with the dissolved oxygen issue. In 2001, DWR began a study on the dissolved oxygen problem with water quality sampling. In 2005, construction on an Aeration Demonstration Project was started. The construction completed in 2007 and DWR began testing the aeration project’s impact on dissolved oxygen concentrations.

**Available Funding.** In November 2000, the voters approved Proposition 13, the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act of 2000. Chapter 9, Article 3, Section 79196.5(d) provides \$40 million to construct facilities to control waste discharges that contribute to low dissolved oxygen and other water quality problems in the lower San Joaquin River and the south Delta.

**Governor's Budget.** The Governor's Budget proposes \$16,388,000 over four years (\$8,986,000 in 2008-09) from Proposition 13 bond funds for four positions for CALFED Ecosystem Water Quality. The funds would be \$5,488,000 to address dissolved oxygen in the Stockton Deep Water Ship Channel and \$10,900,000 to address abandoned mines drainage to reduce methyl mercury in the Delta. For 2008-09 the funds would be:

- \$652,000 for the Deepwater Ship Channel Demonstration Dissolved Oxygen Project
- \$7 million for the Cache Creek Settling Basin Improvements
- \$800,000 for the control of algae and nutrient loading into the Stockton Deepwater Ship Channel
- \$225,000 for evaluation of the effects of the aeration demonstration project on viability of phytoplankton and zooplankton in the Stockton Deepwater Ship Channel
- \$200,000 for the development of the best management practices for reduction of methyl mercury exports from managed wetlands
- \$109,000 for administering the agreement with the Department of Fish and Game (0.5 existing position)

**Staff Recommendation.** Staff recommends that the Subcommittee approve the 2008-09 funds only.

### 3. CALFED Storage Program – Surface Storage

**Background.** The CALFED Record of Decision (ROD) identified surface storage as a possible component in the State's water management strategy. In 1999, the Integrated Storage Investigation Program (ISI) was formulated as a multi-year program to help CALFED identify the appropriate role of storage in a comprehensive water management strategy and to develop and evaluate feasible storage alternatives. The ISI began research on five sites initially, but the studies were scaled down to the three remaining. Surface storage program expenditures have been shared between the State and federal government.

NOTE: The Multi-Benefit Planning and Feasibility Studies (Prop 84) proposal includes a funding component for the CALFED storage program.

**This Proposal.** The funds and the positions requested would continue feasibility studies and environmental documentation for three of the five potential surface storage projects identified in the CALFED Record of Decision. The three projects to be continued are the North-of-the-Delta Offstream Storage, the Los Vaqueros Reservoir Expansion, and Upper San Joaquin River Basin Storage Investigation.

**Governor's Budget.** The Governor's Budget proposes \$3,760,000 from Proposition 50 bond fund for 21 existing positions to continue work on the CALFED surface storage feasibility studies.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the proposal since these funds are being appropriated through a policy bill (SBX2 1, Perata).

#### 4. Achieve a 20 Percent Reduction in Water Use by 2020

In his February 28, 2008 letter to Senators Perata, Steinberg, and Machado, the Governor indicated that conservation is one of the key ways to provide water to Californians and protect and improve the Delta ecosystem. The Governor indicated that a number of efforts are already underway to expand conservation programs, but that the Governor would direct state agencies to develop a more aggressive plan and implement it to the extent permitted by current law.

### 3840 Delta Protection Commission

#### 5. Update on Land Use and Resource Management Plan

Governor sent a letter to Senators Perata, Steinberg, and Machado stating that he would direct the Delta Protection Commission to update their Land Use and Resource Management Plan. The update would address the Blue Ribbon Task Force's concerns on the land use patterns in the Delta region. What is the status of this update?

### 3940 State Water Resources Control Board

#### 6. Water Quality in the Delta

The State Water Resources Control Board is the regulatory agency for any policy created by the Governor and the Legislature for the Delta water quality. In his February 28, 2008 letter to Senators Perata, Steinberg, and Machado, the Governor indicated that he would direct the State Water Resources Control Board to develop and implement a comprehensive program in the Delta to protect water quality.

## 7. Continuing Program Implementation for Propositions 204, 13, 40, and 50

**Background.** The State Water Resources Control Board has small amounts of funding left from several older bonds that it is requesting for reappropriation or appropriation of already reverted funds. The funds are for water quality projects, including water recycling, agricultural water quality, clean beaches, watershed protection, and nonpoint source pollution control.

**Governor's Budget.** The Governor's Budget proposes the following reversions, reappropriations, and appropriations:

- Proposition 204 – reversion of \$538,000
- Proposition 13 – reappropriation of \$13,983,400 of which \$1,740,000 is for CALFED
- Proposition 13 – new appropriation of \$7,477,200 for local assistance
- Proposition 13 – new appropriation of \$1,661,000 for state operations
- Proposition 40 – reappropriation of \$3,352,900 for local assistance
- Proposition 40 – reappropriation of \$170,000 for state operations
- Proposition 50 – reappropriation of \$1,936,200 for local assistance
- Proposition 50 – reappropriation of \$282,300 for CALFED
- Proposition 50 – new appropriation of \$1,995,000 for CALFED

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3600 Department of Fish and Game

### 8. Ecosystem Restoration Program CALFED

**Background.** The Ecosystem Restoration Program (ERP) is an ecosystem-based management program, as opposed to most restoration and recovery programs which are species-based. The ERP was developed as part of the CALFED Record of Decision in 2000. When CALFED was reorganized, the ERP was moved to the Department of Fish and Game.

**Proposed Projects.** The current funding request is for:

- Dutch Slough Tidal Marsh Restoration (\$5.9 Million)—Continuing restoration of an area of tidal marsh, to improve water quality and fish habitat.
- Miens Landing Tidal Marsh Restoration (\$1 Million)—Continuing restoration of an area of tidal marsh, to improve water quality and fish habitat.
- M&T/Llano Seco Fish Screen (\$12 Million)—Modifications to a specific Sacramento River bank near Chico to prevent sediment buildup over an existing fish screen that prevents salmon from being pulled into water supply systems.
- Performance Measures (\$824,000)—Efforts to develop performance measures that will ultimately be used to track CALFED ERP project successes and failures.



- Constant Fractional Marking for Central Valley Chinook Salmon (\$1.1 Million)—Collection of data on salmon in Central Valley rivers and in the Pacific Ocean.
- U.S. Fish and Wildlife Invasive Species Program (\$200,000)—State support for a federal program to prevent invasive species from becoming established in the Delta.

**Governor's Budget.** The Governor's Budget proposes \$21,034,000 from Proposition 84 bond funds for the Ecosystem Restoration Program. The request includes 17 new permanent positions to fulfill the legal mandate to monitor and evaluate program performance by developing ERP indicators, performance measures, and a fish marking project for Central Valley Chinook salmon.

**LAO Recommendation.** The LAO recommends that the Legislature reject budget proposals for new ERP projects that can be delayed until the results of the Delta Vision process is complete. When this process is complete, the Legislature will have an opportunity to consider the long-term uses and configurations of the Delta as both an ecosystem and a water supply system. The result of those deliberations may be significant changes to the way in which the state uses the Delta. The LAO believes it would be premature to fund several of the proposed restoration projects before those decisions are made—since fundamental changes to the Delta may make the proposed projects unsustainable in the long term.

The LAO recommends that the Legislature approve only the proposal to develop performance measures for the program and the Constant Fractional Marking proposal, as the information gathered by this project should be useful in future planning for salmon restoration and management activities. These two proposals amount to \$1,924,000.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the LAO recommendation.

## 0540 Secretary for Resources

### 9. CALFED Science Program Funding

**Background.** CALFED provides a science research grant for projects that provide scientific information related to water project operations, water quality, ecosystem restoration, and prevention and management of invasive species. The primary purpose of the CALFED Science Program is to implement programs and projects to articulate, test, refine, and improve the scientific understanding of all aspects of the Bay-Delta and its watershed areas. The Science Program aims to reduce the scientific uncertainties in the planning and implementation of CALFED Bay-Delta Program actions.

To award the science grants, the CALFED Science Program and the CALFED Agencies first determine the critical scientific information needs to help guide management decisions. These needs are then used to develop the Proposal Solicitation Package. The proposals undergo a

technical review by two separate committees. Once the grant has been approved, the Science Program staff works with the researcher and contract staff to develop a contract that includes information on the statement of work, schedules, deliverables, presentations, and final products.

**Governor's Budget.** The Governor's Budget proposes a total of \$26,363,000 from various funds for the CALFED science program at the Secretary for Resources.

Of this amount, \$8 million would be in reimbursement authority to receive Proposition 84 bond funds from the Department of Water Resources Integrated Regional Water Management Program and to enter into an Interagency Agreement.

Another \$22,092,000 would be from unused Proposition 50 bond funds, with \$1,243,000 annually for four years (included in total amount). In order to appropriate this amount, funds previously appropriated between 2003 and 2007 would have to be reverted:

- \$2.501 million from the Budget Act of 2003
- \$10.297 million from the Budget Act of 2004
- \$4.703 million from the Budget Act of 2006
- \$4.591 million from the Budget Act of 2007

**LAO Recommendation.** The LAO recommends that the Legislature approve \$15.6 million from Proposition 50 and no funds from Proposition 84. Specifically, the LAO recommends for obligated science:

- Timely Information (Prop 50, \$2 million) - Approve - For coordination and presentation of information for Delta Vision, etc. The LAO recommends funding these activities as they will assist Delta Vision and others make use of existing scientific research.
- Focused Research (Prop 50, \$8.3 million) - Approve - For ongoing scientific studies relating to water quality, invasive species, etc. Since these research projects are ongoing, the LAO does not think it makes sense to cut funding in the middle of these projects.
- Staff (Prop 50, \$4.3 million) - Approve.

Also, for unobligated science the LAO recommends:

- Timely Information (Prop 50, \$1 million) - Approve - For coordination and presentation of information for Delta Vision, etc. The LAO recommends funding these activities as they will assist Delta Vision and others make use of existing scientific research.
- Focused Research (Prop 84, \$8 million) - Reject - For new scientific studies. The LAO recommends against funding new research that is unlikely to provide results in time to inform Delta Vision and subsequent legislative decisions.
- Focused Research (Prop 50, \$2.8 million) - Reject - For new scientific studies. The LAO recommends against funding new research that is unlikely to provide results in time to inform Delta Vision and subsequent legislative decisions.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3480 Department of Conservation

### 10. Watershed Coordinator Grant Program – Proposition 50

**Background.** The Watershed Coordinator Grant Program was started in 2000 as a two-year pilot program. The program provides grants to local watershed coordinators to bring together environmental groups, agricultural landowners, and local governments in projects that benefit water quality, stream restoration, and fire safety. The Watershed Coordinator Grant Program works toward the CALFED Record of Decision goals in water quality.

Through the Watershed Coordinator Grant program, funding is provided to local Resource Conservation Districts (RCD) watershed coordinators to support their efforts to secure other funds for on-the-ground watershed projects. There are 48 watershed coordinator positions in the state. To date, the program has received \$16.4 million in additional non-state funding for local projects. These funds, along with another \$16.6 million in state funds have been used for 181 new on-the-ground projects.

**Governor's Budget.** The Governor's Budget proposes \$8 million in Proposition 50 bond funds for local assistance over three years. The funds would be allocated as follows: \$3 million in 2008-09, \$3 million in 2009-10, and \$2 million in 2010-11.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 11. Watershed Coordinator Grant Program – Proposition 84

**Background.** The Watershed Coordinator Grant Program was started in 2000 as a two-year pilot program. The program provides grants to local watershed coordinators to bring together environmental groups, agricultural landowners, and local governments in projects that benefit water quality, stream restoration, and fire safety.

Proposition 84, Chapter 5, Section 75050(d) provides funds for the Watershed Coordinator Grant Program. Specifically, the text of the Proposition 84 reads: "Up to \$10,000,000 may be transferred to the Department of Conservation for the Watershed Coordinator Grant Program", with no mention that the program should be statewide.

**Statewide Proposal.** The department wants to expand the Watershed Coordinator Grant Program statewide. Expanding the program would allow applications from watersheds outside the CALFED area, such as the Lake Tahoe Basin, Salton Sea, and the Klamath River. The department estimates that the requested funding would pay for 50 watershed coordinators statewide.

**Governor's Budget.** The Governor's Budget proposes \$10 million in Proposition 84 bond funds over five years to expand the existing Watershed Coordinator Grant Program statewide. Of the \$10 million, \$500,000 would be for one position to administer the program. The grants would be provided on the following schedule:

- 2008-09: \$2 million
- 2009-10: \$3.5 million
- 2010-11: \$3 million
- 2011-12: \$650,000

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 12. Trailer Bill

**Bill Intent.** The Governor's proposed trailer bill adds the Department of Conservation to the list of departments that are the implementing agencies of the watershed program element of CALFED. This is being done to move the watershed grant coordinator program from the Secretary for Resources to the Department of Conservation.

**Current Statute.** Water Code 79440 states that unless the Federal Government provides authority through statute for Federal agencies to manage CALFED programs, the implementing agency on the state level is responsible for managing the program and consulting with the Federal agency as it does so.

**Staff Analysis.** This trailer bill would replace an interagency agreement through which Department of Conservation had managed the Secretary for Resources' watershed coordinator grant program. As the program is formally moved over to the Department of Conservation, trailer bill language is needed to authorize Department of Conservation's management of the program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the trailer bill language.

## 3540 Department of Forestry and Fire Protection

### 13. Accounting Interagency Agreement

**Background.** The Department of Forestry and Fire Protection provides accounting, personnel transaction, and examination services for the CALFED Bay-Delta Program through an interagency agreement. The positions to handle the interagency agreement workload were made temporary positions.

**Finance Letter.** The Governor's finance letter proposes making three limited-term positions into permanent positions to carry out an interagency agreement by providing support to the Resources Agency/CALFED Bay-Delta Program.

**Staff Analysis.** The CALFED governance and administrative structure is likely to change dramatically in the coming year, making it unnecessary at the moment to create more permanent positions. Also, of the three temporary positions, only one is currently vacant.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.